

### Summary:

Combining prevailing macro narratives with stock price action, a single quote comes to mind: “A bull market climbs a wall of worry.”

In secular trend research we take a look at data centers which continue to sound like a good place to invest.

Finally, the Beyond Meat comment regarding perceptions on plant-based meat is interesting. I wonder what motivated the change.

### Executive Quotes

*Himax Technologies, Inc. (HIMX): The automotive display market is experiencing the mega trend of expanding quantities, sizes and sophistication of displays with the vehicles as fancy displays are increasingly becoming a major selling point for car makers.*

*Backblaze, Inc. (BLZE): A few months ago, we conducted a survey of more than 400 IT decision-makers. A majority of the respondents indicated that they prefer to choose from best-of-breed solutions when selecting vendors and yet the cloud landscape has been historically defined by Cloud 1.0, where a few diversified cloud providers aim to lock customers into their platforms and take away customer choice. You may have heard that Google Cloud, AWS and Azure recently announced free egress for their customers. They may have done this to modify regulators because the cloud 1.0 model is a walled garden by design, but this move does not at all address what customers*

*actually want because it only applies to customers who leave those platforms completely. What customers really want is to freely use their data with multiple cloud services. These fake free egress announcements are only free exit, not free egress and underscore that cloud 1.0 just doesn't work that way. Businesses want Cloud 2.0, an open cloud ecosystem where businesses can use their data wherever and however they want to...*

*Beyond Meat, Inc. (BYND): ...2020...survey results suggest that...50% or more of Americans felt that the plant-based meat was healthy for them, whereas in 2022, that number was down at 38%. And my strong belief is that it declined further in subsequent years.*

## Secular Trend Watch: Data Centers

The explosive growth of AI, digitization, and ultimately data is driving increased demand for data centers.

Here is some of the latest executive commentary on the trend:

***Digital Realty Trust, Inc. (DLR):*** McKinsey recently forecasted data center demand growth at a double-digit CAGR through 2030. This growing secular demand is broad and deep and both enterprises and service providers need a significant new data center capacity to accommodate their expanding needs, fueled by trends such as enterprise AI adoption, AI as a service, IoT and the relentless growth in data creation.

***Micron Technology, Inc. (MU):*** We continue to see AI as a secular driver of demand growth in the data center. An AI server today can have as much as 8x the DRAM content of a regular server and up to 3x the NAND content.

***WESCO International, Inc. (WCC):*** Data center sales were again primarily driven by growth with hyperscale customers and were up low single digits in the quarter. **The growth opportunity of this business is exceptionally strong, given the step change in data center capacity needs, driven by artificial intelligence.**

***NextEra Energy, Inc. (NEP):*** And so what do we see? We see **about a 15% CAGR** through the end of the decade for data center demand.

As evidenced by both executive commentary and volume of hedge fund ownership, the best stock for this trend is **Cisco Systems, Inc. (CSCO)**.



## Listen to the Markets

Looking at the last few months, not a lot is happening in fixed income and currencies.

Copper has been on fire after Druckenmiller was positive on CNBC but the futures and stocks are taking it on the chin today. It continues to be an environment with unpleasant reversals which is less than ideal for traders.

Precious metals (gold and silver) remain near highs possibly indicating continued inflation. Gold and silver are among the top performing markets year-to-date which perhaps says something about broader concerns with the world.

That said, stocks just keep on going up so the message from precious metals should probably be taken with a grain of salt since the stock market is telling us things are AOK. A bull market climbs a wall of worry.

As I ponder the above especially the stock market, a bunch of quotes pop into my head about riding the trend, sticking with bull markets, and making hay while the sun is shining. Some day, one of the looming concerns will turn into a major problem for the stock market. But, as evidenced by prices, that day is not today.

So, stick with the trend and keep trailing your stops as they will protect you when the bad times eventually come.

## Indicators

**Trend:** The long-term trend in stocks is up.

**Volatility:** Despite April, stock volatility remains conducive to owning stocks.

**Rates:** Short-term rates are around 5% which is likely looking pretty good to investors given recent stock market volatility.

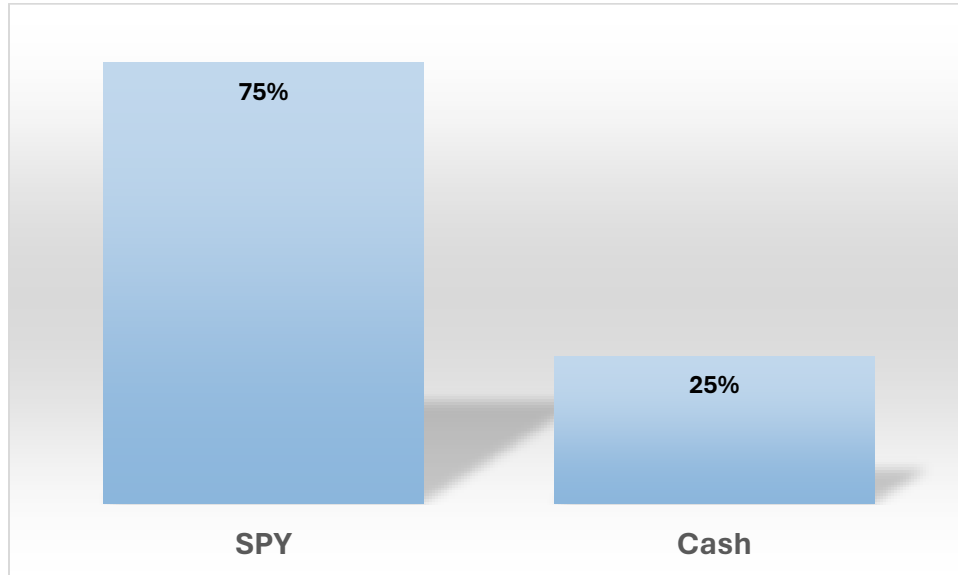
**The Fed:** The Fed is on hold pending incoming data on the economy and inflation but continues to view fighting inflation as the priority which, all else equal, isn't ideal for stocks.

**Internals:** Similar to last week, less defensive stock sectors continue to see inflows sending a positive message.

## The Stock Market Strategist

### **Tactical Stock Market Model**

The tactical stock market model (details below) is currently 75% allocated to SPY and 25% allocated to cash in the form of a money market fund.



The tactical stock market model represents a simplified version of Triangulated Capital Management's Tradexing approach which seeks to balance capital preservation with capturing long-term trends. The model tactically allocates between cash (money market funds) and stocks (SPY ETF). Please reach out if you are interested in money management services: [info@tricapm.com](mailto:info@tricapm.com)

### **Stock Selections**

In light of the upcoming holiday and probable slow trading, there are no new stock selections this week.

Entries are subject to price action – if prices gap up or down by more than +/- 3%, trades will not be entered for model portfolio purposes per the logic that one should not chase stocks and should not catch falling knives. Subject to this +/- 3% rule, for tracking purposes, entry will be assumed on the open the day after publication of this letter.

# The Stock Market Strategist

## Trading Model Portfolio Positions

Company	Ticker	EntryDate	EntryPrice	CurrentPrice	StopLoss	%Profit
Delta Air Lines	DAL	5/1/2024	\$ 50.04	\$ 52.23	\$ 50.00	4.38%
Charles Schwab	SCHW	5/10/2024	\$ 75.80	\$ 78.90	\$ 74.50	4.09%
Freeport McMoran	FCX	5/20/2024	\$ 54.00	\$ 54.32	\$ 49.99	0.59%
Wells Fargo	WFC	5/20/2024	\$ 60.97	\$ 61.46	\$ 59.00	0.80%

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